GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5211
ANSWERED ON:29.04.2005
INSTRUCTIONS OF SEBI
Badi Shri Rajendra Kumar

Will the Minister of FINANCE be pleased to state:

(a) Whether the Securities and Exchange Board of India (SEBI) has issued instruction to the listed public sector undertaking (PSUs) to have half of the board members as independent Directors on the board of Directors by April 1, 2005 ;

(b) If so , Whether some of the listed PSUs have expressed their inability to comply with the norms for appointment of independent Directors; and

(c) If so, the corrective measures being taken by the Union Government in the matter?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SH. S. S. PALANIMANICKAM)

(a) : As per the provisions relating to composition of board as given in clause 49 of the listing agreement, listed companies including Public Sector Undertakings (PSUs) are required to have an optimum combination of Executive and Non-Executive Directors on their Boards with not less than fifty percent of the Board of Directors comprising of Non-Executive (Independent) Directors. This requirement is in force since February 21, 2000.

(b) & (C) : Some PSUs sought clarification from SEBI on whether Government Directors can also be treated as Independent Directors. They were informed that Government Directors will not qualify to be considered as Independent Directors.